

Single Audit Report

THOMAS A. EDISON CHARTER SCHOOL
(A Component Unit of the State of Delaware)
Wilmington, Delaware

Year Ended June 30, 2006

THOMAS A. EDISON CHARTER SCHOOL
(A Component Unit of the State of Delaware)

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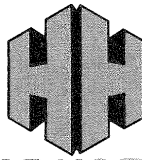
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HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
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Report of Independent Auditor

Board of Directors
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School, Wilmington, Delaware (a component unit of the State of Delaware) as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audits. The discretely presented financial statements were audited by other auditors in which they issued unqualified opinions.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of June 30, 2006 and 2005, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2007 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. The School has not presented the Management's Discussion and Analysis and the budgetary comparison information for the general fund that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Thomas A. Edison Charter School's basic financial statements. The additional information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information on pages 20 and 21 has been subjected to the auditing procedures applied to the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.


Certified Public Accountants

January 26, 2007
Wilmington, Delaware

Basic Financial Statements Section

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	2006		2005	
	Primary Governmental Activities	Component Unit Foundation	Primary Governmental Activities	Component Unit Foundation
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 988,607	\$ 21,725	\$ 354,100	\$ 21,575
Receivables, net:				
Edison Schools, Inc.	...	...	51,207	...
Food service customers	11,200	...	7,032	...
Due from other governments	81,251	...	64,981	...
Replacement reserve	...	20,257	...	20,087
Total current assets	1,081,058	41,982	477,320	41,662
NONCURRENT ASSETS				
Capital assets, net (Note 1)	...	6,354,824	...	6,547,143
Loan origination costs, net	...	78,040	...	83,453
Total noncurrent assets	...	6,432,864	...	6,630,596
TOTAL ASSETS	1,081,058	6,474,846	477,320	6,672,258
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	118,303	...	259,370	...
Accrued salaries and related costs	242,522	...	207,159	...
Deferred revenues	2,139	...	10,791	...
Mortgage note payable, current	...	102,337	...	94,993
Total current liabilities	362,964	102,337	477,320	94,993
NONCURRENT LIABILITIES				
Mortgage note payable	...	2,495,281	...	2,597,617
Compensated absences liability	8,247	...	5,080	...
Total noncurrent liabilities	8,247	2,495,281	5,080	2,597,617
TOTAL LIABILITIES	371,211	2,597,618	482,400	2,692,610
NET ASSETS (LIABILITIES)				
NET ASSETS (LIABILITIES)				
Invested in capital assets, net of related debt	...	3,835,246	...	3,937,986
Restricted for specific programs	44,917	...	43,735	...
Unrestricted	664,930	41,982	(48,815)	41,662
TOTAL NET ASSETS (LIABILITIES)	\$ 709,847	\$ 3,877,228	\$ (5,080)	\$ 3,979,648

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ 5,625,326	\$...	\$ 667,657	\$...	\$ (4,957,669)	\$...
Supporting services:						
Operation and maintenance of facilities	763,367	...	...	...	(763,367)	...
Transportation	563,830	...	...	...	(563,830)	...
Other support services	...	...	...	...	...	(413,652)
School Food services	<u>254,760</u>	<u>12,682</u>	<u>243,724</u>	<u>...</u>	<u>1,646</u>	<u>...</u>
Total Charter School	<u>\$ 7,207,283</u>	<u>\$ 12,682</u>	<u>\$ 911,381</u>	<u>\$...</u>	<u>(6,283,220)</u>	<u>(413,652)</u>
GENERAL REVENUES						
Charges to school districts					2,308,614	...
State aid not restricted to specific purpose					4,417,114	...
Miscellaneous					248,482	311,063
Earnings on cash and equivalents					23,937	169
Total general revenues					<u>6,998,147</u>	<u>311,232</u>
CHANGE IN NET ASSETS (LIABILITIES)					714,927	(102,420)
NET ASSETS (LIABILITIES)						
Beginning of year					<u>(5,080)</u>	<u>3,979,648</u>
End of year					<u>\$ 709,847</u>	<u>\$ 3,877,228</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ 4,647,190	\$...	\$ 594,087	\$...	\$ (4,053,103)	\$...
Supporting services:						
Operation and maintenance of facilities	768,527	...	...	...	(768,527)	...
Transportation	616,867	...	...	...	(616,867)	...
Other support services	...	...	...	...	...	(430,506)
School Food services	<u>355,642</u>	<u>19,989</u>	<u>271,251</u>	<u>...</u>	<u>(64,402)</u>	<u>...</u>
Total Charter School	<u>\$ 6,388,226</u>	<u>\$ 19,989</u>	<u>\$ 865,338</u>	<u>\$...</u>	<u>(5,502,899)</u>	<u>(430,506)</u>
GENERAL REVENUES						
Charges to school districts					1,914,746	...
State aid not restricted to specific purpose					3,569,505	...
Miscellaneous					39,597	328,372
Earnings on cash and equivalents					14,980	87
Total general revenues					<u>5,538,828</u>	<u>328,459</u>
CHANGE IN NET ASSETS (LIABILITIES)					35,929	(102,047)
NET ASSETS (LIABILITIES)						
Beginning of year					<u>(41,009)</u>	<u>4,081,695</u>
End of year					<u>\$ (5,080)</u>	<u>\$ 3,979,648</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS-GOVERNMENTAL FUNDS
June 30, 2006 and 2005

	<u>Governmental Funds</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and equivalents	\$ 988,607	\$ 354,100
Receivables, net:		
Edison Schools, Inc.	...	51,207
Food service customers	11,200	7,032
Due from other governments	<u>81,251</u>	<u>64,981</u>
TOTAL ASSETS	<u>\$ 1,081,058</u>	<u>\$ 477,320</u>
LIABILITIES		
Accounts payable	\$ 118,303	\$ 259,370
Accrued salaries and related costs	242,522	207,159
Deferred revenues	<u>2,139</u>	<u>10,791</u>
Total liabilities	<u>362,964</u>	<u>477,320</u>
FUND BALANCES (DEFICIT)		
Reserved for specific programs	44,917	43,735
Unreserved	<u>673,177</u>	<u>(43,735)</u>
Total fund balances	<u>718,094</u>	<u>...</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,081,058</u>	<u>\$ 477,320</u>

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances-governmental funds	\$ 718,094	\$...
Compensated absences are not due and payable for the years presented and therefore are not reported in the funds.	<u>(8,247)</u>	<u>(5,080)</u>
Total net assets-governmental activities	<u>\$ 709,847</u>	<u>\$ (5,080)</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**
Years Ended June 30, 2006 and 2005

	<u>Governmental Funds</u>	
	<u>2006</u>	<u>2005</u>
REVENUES		
Charges to school districts	\$ 2,308,614	\$ 1,914,746
State aid	4,417,114	3,569,505
Federal aid	911,381	865,338
Food service fees	12,682	19,989
Earnings on cash and equivalents	23,937	14,980
Miscellaneous	248,482	39,597
Total revenues	<u>7,922,210</u>	<u>6,424,155</u>
EXPENDITURES		
Current:		
Instructional services	5,608,810	4,648,034
Supporting services:		
Operation and maintenance of facilities	763,367	768,527
Transportation	563,830	616,867
School Food services	254,760	355,642
Capital outlay	13,349	...
Total expenditures	<u>7,204,116</u>	<u>6,389,070</u>
NET CHANGE IN FUND BALANCES	718,094	35,085
FUND BALANCES (DEFICIT)		
Beginning of year	...	(35,085)
End of year	<u>\$ 718,094</u>	<u>\$...</u>

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
Years Ended June 30, 2006 and 2005

	2006	2005
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances-total governmental funds	\$ 718,094	\$ 35,085
In the statement of activities, certain operating expenses such as compensated absences (vacations) are measured by the amounts earned during a year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation payable increased by \$3,167 for 2006 and decreased \$844 for 2005.	(3,167)	844
Change in net assets-governmental activities	<u>\$ 714,927</u>	<u>\$ 35,929</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET ASSETS-AGENCY FUND
June 30, 2006 and 2005

	Student Activities Fund	
	2006	2005
ASSETS		
Cash and equivalents	\$ <u>3,797</u>	\$ <u>1,071</u>
LIABILITIES		
Other current liabilities	\$ <u>3,797</u>	\$ <u>1,071</u>

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Thomas A. Edison Charter School (the "School") have been prepared in conformity with U.S. generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the School are described below.

Reporting Entity

The School is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State's operations. The School has one component unit which it has included in the reporting entity because of the significance of its operational and financial relationship to the School.

Discretely Presented Component Unit

On November 12, 1997, Thomas A. Edison Charter School of Wilmington, Inc. (the Foundation) was incorporated as a 501(c)(3) not-for-profit corporation for the purpose of constructing a school for grades K through 8 by substantially improving an existing School facility, which was placed in service on July 1, 2000. The Foundation's primary role is to assist the School in carrying out its mission. The Foundation is a discretely presented component unit because of the significance of its financial relationship to the School (the primary government). The Foundation was audited by other auditors, and their reports dated July 13, 2006 and July 15, 2005 have been issued under separate cover. These reports are available upon request from the School.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to students or other third parties who purchase, or directly benefit from goods and services provided, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not properly included among program revenues are reported instead as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

Charges to school districts and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental fund:

- The **general fund** is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Additionally, the School reports the following fund type:

- The **student activities agency fund** (a fiduciary fund) accounts for assets held on behalf of student groups.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Amounts reported as program revenues include 1) charges to students for special fees, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

The general fund budget is adopted on the modified accrual basis of accounting; however, it is not presented in a manner comparable to actual expenditures presented. Therefore, management has elected not to include the budgetary comparison information for the general fund. Budgets are not adopted for the student activity funds. Annual appropriations lapse at year end with the exception of fund balance reserve.

Encumbrances

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2006 and 2005, the School had no outstanding encumbrances.

Use of Estimates

The preparation of basic financial statements in conformance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Equivalents

The cash and equivalents of the School and the component unit are considered to be cash, demand deposits, and short-term investments with original maturities of three months or less.

Receivables

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At June 30, 2006 and 2005, the allowance for doubtful accounts is \$66,350 and \$95,042, respectively.

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payable" (i.e., current portion) or "advances from/to other funds" (i.e., the noncurrent portion). At June 30, 2006 and 2005, the School had no such activity.

Advances between funds, in fund financial statements, when present are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets and Depreciation

The School does not own the capital assets it uses for operations; they are owned by Edison Schools, Inc. (Edison). Upon termination of the management agreement with Edison, the School has the right, subject to any limitations and/or conditions in the agreements to which Edison is a party, to acquire all, but not part, of the capital assets provided by Edison and located in the School and the homes of the School's students by paying Edison the net depreciated value (original cost minus accumulated depreciation to date of termination) of such capital assets within 30 days after the effective date of termination of the agreement.

Component Unit-Capital assets are stated at cost and consist mostly of leasehold improvements to school facilities. Expenditures for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Organization has not adopted a formal capitalization policy.

Leasehold improvements of the School are depreciated using the straight-line method based on the estimated used life of 39 years.

Loan Origination Costs

Loan origination costs of \$108,263 are being amortized over the life (20 years) of the mortgage note using the straight-line method. At June 20, 2006 and 2005, the accumulated amortization was \$30,223 and \$24,810, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, employee resignations and retirements.

Vacation - Twelve month employees can accumulate up to 42 days of vacation. Any days in excess of 42 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination, retirement, etc. at the current rate of pay.

Sick Leave - Sick leave allowances are as follows: 10 days for 10-month employees, 11 days for 11-month employees, and 12 days for 12-month employees. Any unused sick days shall be accumulated to the employee's credit without limit. Compensation for accumulated sick days is received when employees (a) qualify and apply for State pension and is paid at a rate of 50 percent of the per diem rate of pay not to exceed 120 days, or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 120 days.

Fund Equity

Fund financial statements of governmental funds report fund balance reservations for amounts that are not available for appropriation or legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources which are subject to change.

Income Taxes

The Component Unit is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

NOTE 2 - CASH AND EQUIVALENTS

At June 30, 2006 and 2005, the School has cash and equivalents of \$992,404 and \$355,171, respectively. Cash and equivalents are controlled by the personnel of the State Treasurer's office in Dover, Delaware, and any investment decisions are made, by the State Treasurer's Office. The investments held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these deposits. Credit risk for such deposits depends on the financial stability of the State of Delaware.

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units represent receivables for revenues earned by the School. At June 30, intergovernmental receivables are as follows:

Description	2006	2005
Passed through the State of Delaware:		
State government	\$ 33,035	\$ 40,874
Local school districts	66,350	98,148
Federal government	<u>48,216</u>	<u>21,001</u>
Total intergovernmental receivables	147,601	160,023
Less: Allowance for doubtful accounts	<u>66,350</u>	<u>95,042</u>
Net intergovernmental receivables	<u>\$ 81,251</u>	<u>\$ 64,981</u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30 follows:

Year Ended June 30, 2006				
Description	Beginning Balances	Increases	Decreases	Ending Balances
Component Unit:				
Capital assets, being depreciated:				
Leasehold improvements	\$7,500,449	\$...	\$...	\$7,500,449
Less accumulated depreciation:				
Leasehold improvements	<u>953,306</u>	<u>192,319</u>	<u>...</u>	<u>1,145,625</u>
Depreciable capital assets, net	<u>\$6,547,143</u>	<u>\$ (192,319)</u>	<u>\$...</u>	<u>\$6,354,824</u>

Year Ended June 30, 2005				
Description	Beginning Balances	Increases	Decreases	Ending Balances
Component Unit:				
Capital assets, being depreciated:				
Leasehold improvements	\$7,500,449	\$...	\$...	\$7,500,449
Less accumulated depreciation:				
Leasehold improvements	<u>760,987</u>	<u>192,319</u>	<u>...</u>	<u>953,306</u>
Depreciable capital assets, net	<u>\$6,739,462</u>	<u>\$ (192,319)</u>	<u>\$...</u>	<u>\$6,547,143</u>

NOTE 5 - LONG-TERM DEBT OBLIGATIONS

The following is a summary of changes in long-term obligations:

Description	Year Ended June 30, 2006				Due Within One Year
	Beginning Balance	Long-Term Obligations		Ending Balance	
		Additions	Deletions		
Governmental activity:					
Compensated absences	<u>\$ 5,080</u>	<u>\$ 3,167</u>	<u>\$...</u>	<u>\$ 8,247</u>	<u>\$...</u>

Compensated absences for the governmental activities are generally liquidated by the general fund.

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT OBLIGATIONS (continued)

Component Unit

The Foundation entered into a mortgage note agreement with Delaware Community Investment Corporation (DCIC) on December 12, 2000 in the amount of \$3,037,000. The note is secured by a leasehold mortgage and security agreement on the property located at 900 East 22nd Street, Wilmington, Delaware. The terms of the note require 240 monthly payments of \$24,410 at 7.47%. The final payment is due January 1, 2021. Maturities of long-term debt obligations are:

Years Ending June 30	Principal	Interest	Total
2007	\$ 102,337	\$ 190,583	\$ 292,920
2008	110,249	182,671	292,920
2009	118,772	174,148	292,920
2010	127,954	164,966	292,920
2011	137,847	155,073	292,920
2012-2016	866,534	598,066	1,464,600
2017-2022	<u>1,133,925</u>	<u>208,537</u>	<u>1,342,462</u>
Totals	<u>\$2,597,618</u>	<u>\$1,674,044</u>	<u>\$4,271,662</u>

NOTE 6 - LEASING ARRANGEMENTS

The component unit leases the land and the original building shell from an unrelated third party under the terms of an operating leasing arrangement dated August 25, 1999. The leasing arrangement calls for a term of 45 years, commencing September 1, 1999 and ending August 31, 2044. The annual rental is as follows:

First 5 years	\$1 per annum
6 through 10th year	Not to exceed \$10,000
11th through 15th year	\$15,000 per annum
16th through 20th year	\$20,000 per annum
21st through 25th year	\$25,000 per annum
26th year through 45th year	To be negotiated

Estimated minimum future rental payments required are as follows:

Fiscal Years Ending June 30	Amount
2007	\$ 10,000
2008	10,000
2009	10,000
2010	14,167
2011	15,000

The component unit in turn subleases the property to the School. Total rental income and expense under the leasing arrangement amounted to \$292,920 and \$292,920 for years ended June 30, 2006 and 2005, respectively.

NOTE 7 - PENSION PLAN

School employees are considered State employees and are covered under the State's pension program. The State contributed 7.44% for 2006 and 2005 of the State share of the employees' salary. The School contributed the same percentages on the local share of the salary. The employees contribute 3.00% of salary in excess of \$6,000 per share up to social security maximum and 3.00% for any salary above social security maximum. Total pension cost of \$383,448 for 2006 and \$347,198 for 2005 (State share) and \$57,851 for 2006 and \$40,435 for 2005 (local and federal share) is included in the financial statements. Certain significant plan provisions follow:

- Early retirement:
 - a. 15 years service-age 55 (reduced by 0.2%, each month under age 60)
 - b. 25 years service-any age (reduced by 0.2%, each month short of 30 years)
- Service retirement:
 - a. 15 years service-age 60
 - b. 30 years service-any age
 - c. 5 years service-age 62
- Disability retirement:
 - a. 5 years service and proof of disability
- Vested pension-An employee can vest pension rights after five years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS) *Comprehensive Annual Report*. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants Activity

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the School.

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

Management Agreement

Thomas A. Edison Charter School of Wilmington, Inc., a nonprofit corporation, organized and existing under the laws of the State of Delaware, entered into an agreement with the Edison Schools, Inc. ("Edison"), a Delaware Corporation, on May 25, 1998 and amended as of February 18, 1999. The term of the agreement shall commence on the date of the agreement and end on June 30, 2005, unless terminated earlier or extended in accordance with the terms and conditions set forth in the agreement. The term shall include five school years, each commencing on or about August 15 and ending on or about the following June 30. The agreement will automatically be renewed for an additional five-year term, unless written notice of intent to terminate or renegotiate is given by either party prior to January 1 of the year in which the agreement is scheduled to expire. In no event shall the term be extended beyond the termination of any charter granted by the State. The agreement was renewed for one additional year expiring June 30, 2006.

As part of the agreement, Edison shall provide the School with a complete educational program based on the Edison "unique school design", comprehensive academic programs, and School management principles (the "Edison School Design"). Edison will also provide the management and administrative services necessary to implement and operate its education program at the School. Edison fees prior to the one year extension were based on the School's performance; that is, any revenues in excess of School expenditures revert to Edison as a management fee.

The above are only excerpts of the executed agreement; for further detail, refer to the agreement itself.

Additional Information Section

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS-GENERAL FUND
June 30, 2006 and 2005

	2006				2005			
	State Allocation	Local Funds	Federal Funds	Total General Fund	State Allocation	Local Funds	Federal Funds	Total General Fund
ASSETS								
Cash and equivalents	\$ 449,996	\$ 538,611	\$...	\$ 988,607	\$ 158,862	\$ 195,238	\$...	\$ 354,100
Receivables, net:								
Edison Schools, Inc.	...	...	...	...	...	51,207	...	51,207
Food service customers	...	11,200	...	11,200	...	7,032	...	7,032
Due from other governments	...	48,216	33,035	81,251	...	24,107	40,874	64,981
Interfund receivable (payable)	<u>12,631</u>	<u>(12,631)</u>	<u>...</u>	<u>...</u>	<u>12,631</u>	<u>(12,631)</u>	<u>...</u>	<u>...</u>
TOTAL ASSETS	<u>\$ 462,627</u>	<u>\$ 585,396</u>	<u>\$ 33,035</u>	<u>\$ 1,081,058</u>	<u>\$ 171,493</u>	<u>\$ 264,953</u>	<u>\$ 40,874</u>	<u>\$ 477,320</u>
LIABILITIES								
Accounts payable	\$ 96,544	\$ 18,545	\$ 3,214	\$ 118,303	\$ 500	\$ 250,046	\$ 8,824	\$ 259,370
Accrued salaries and related costs	209,534	3,167	29,821	242,522	175,109	...	32,050	207,159
Deferred revenues	...	2,139	...	2,139	...	10,791	...	10,791
Total liabilities	<u>306,078</u>	<u>23,851</u>	<u>33,035</u>	<u>362,964</u>	<u>175,609</u>	<u>260,837</u>	<u>40,874</u>	<u>477,320</u>
FUND BALANCES (DEFICIT)								
Reserved for specific programs	...	44,917	...	44,917	...	43,735	...	43,735
Unreserved	<u>156,549</u>	<u>516,628</u>	<u>...</u>	<u>673,177</u>	<u>(4,116)</u>	<u>(39,619)</u>	<u>...</u>	<u>(43,735)</u>
Total fund balances (deficit)	<u>156,549</u>	<u>561,545</u>	<u>...</u>	<u>718,094</u>	<u>(4,116)</u>	<u>4,116</u>	<u>...</u>	<u>...</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 462,627</u>	<u>\$ 585,396</u>	<u>\$ 33,035</u>	<u>\$ 1,081,058</u>	<u>\$ 171,493</u>	<u>\$ 264,953</u>	<u>\$ 40,874</u>	<u>\$ 477,320</u>

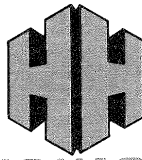
See Report of Independent Auditor

THOMAS A. EDISON CHARTER SCHOOLSTATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GENERAL FUND
Years Ended June 30, 2006 and 2005

	2006				2005			
	State Allocation	Local Funds	Federal Funds	Total General Fund	State Allocation	Local Funds	Federal Funds	Total General Fund
REVENUES								
Charges to school districts	\$...	\$ 2,308,614	\$...	\$ 2,308,614	\$...	\$ 1,914,746	\$...	\$ 1,914,746
State aid	4,417,114	...	...	4,417,114	3,569,505	...	...	3,569,505
Federal aid	...	243,724	667,657	911,381	...	271,251	594,087	865,338
Food service revenue	...	12,682	...	12,682	...	19,989	...	19,989
Earnings on cash and equivalents	...	23,937	...	23,937	...	14,980	...	14,980
Miscellaneous	...	248,482	...	248,482	...	39,597	...	39,597
Total revenues	4,417,114	2,837,439	667,657	7,922,210	3,569,505	2,260,563	594,087	6,424,155
EXPENDITURES								
Current:								
Salaries	1,261,076	1,265,681	392,716	2,919,473	1,388,416	1,035,445	328,729	2,752,590
Employment costs	1,025,687	368	168,606	1,194,661	963,641	159	130,957	1,094,757
Travel	429	1,947	6,389	8,765	908	307	5,225	6,440
Contracted services	784,775	186,115	97,950	1,068,840	121,474	275,276	116,304	513,054
Communications	25,671	6,689	...	32,360	25,646	11,812	...	37,458
Public utility services	118,038	653	...	118,691	87,064	22,806	...	109,870
Insurance	...	12,508	...	12,508	...	...	...	...
Transportation-buses	432,824	131,006	...	563,830	560,087	56,780	...	616,867
Land/Building/Facilities	321,522	22,087	...	343,609	346,187	2,683	...	348,870
Repairs and maintenance	125,499	175,568	...	301,067	116,990	192,797	...	309,787
Other contractual services	12,238	27,989	...	40,227	6,256	26,347	...	32,603
Supplies and materials	135,923	16,142	...	152,065	59,623	10,198	...	69,821
Operating supplies	3,190	96,564	1,996	101,750	1,436	19,387	12,298	33,121
Computer/Word Processing/Software	...	18,453	...	18,453	...	340	...	340
Food service costs	...	254,760	...	254,760	...	355,642	...	355,642
Bad debt expense	...	59,708	...	59,708	...	95,042	...	95,042
Capital outlay	9,577	3,772	...	13,349	12,084	150	574	12,808
Total expenditures	4,256,449	2,280,010	667,657	7,204,116	3,689,812	2,105,171	594,087	6,389,070
NET CHANGES IN FUND BALANCES	160,665	557,429	...	718,094	(120,307)	155,392	...	35,085
FUND BALANCES (DEFICIT)								
Beginning of year	(4,116)	4,116	...	...	116,191	(151,276)	...	(35,085)
End of year	\$ 156,549	\$ 561,545	\$...	\$ 718,094	\$ (4,116)	\$ 4,116	\$...	\$...

See Report of Independent Auditor

SINGLE AUDIT SUPPLEMENT
REQUIRED BY OMB CIRCULAR A-133



HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

James R. Zdimal, CPA†
Vincent S. Barbone, CPA, CFE*†

American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

**Report of Independent Auditor.....	1-2
on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of and for the year ended June 30, 2006, which collectively comprise Thomas A. Edison Charter School's basic financial statements and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Thomas A. Edison Charter School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

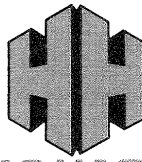
As part of obtaining reasonable assurance about whether Thomas A. Edison Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Thomas A. Edison Charter School in a separate letter dated January 26, 2007.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.


Certified Public Accountants

January 26, 2007
Wilmington, Delaware



HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

James R. Zdimal, CPA†
Vincent S. Barbone, CPA, CFE*†

American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

**Report of Independent Auditor
on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

Compliance

We have audited the compliance of Thomas A. Edison Charter School with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Thomas A. Edison Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Thomas A. Edison Charter School's management. Our responsibility is to express an opinion on Thomas A. Edison Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Thomas A. Edison Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Thomas A. Edison Charter School's compliance with those requirements.

In our opinion, Thomas A. Edison Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Thomas A. Edison Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Thomas A. Edison Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Internal Control Over Compliance (continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of and for the year ended June 30, 2006, and have issued our report thereon dated January 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Thomas A. Edison Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.


Certified Public Accountants

January 26, 2007
Wilmington, Delaware

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Delaware, Department of Education (DOE):			
Child and Adult Care Food Program	10.558	N/A	\$ 243,724
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 243,724
U.S. DEPARTMENT OF EDUCATION			
Passed through the Delaware Department of Education (DOE):			
Title I Grants to Local Educational Agencies (LEAs)	84.010	N/A	\$ 459,301
Special Education-Grants to States (IDEA, Part B)	84.027	N/A	73,650
Safe and Drug-Free Schools and Communities-State Grants	84.186	N/A	21,547
Enhancing Education Through Technology	84.318	N/A	21,889
Improving Teacher Quality-State Grants	84.367	N/A	91,270
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 667,657
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 911,381

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all the federal awards received by Thomas A. Edison Charter School (the "School") and is presented on the accrual basis of accounting. The School's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received from federal awarding agencies and pass-through entities are included on the schedule.

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Thomas A. Edison Charter School.
2. No material reportable conditions were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance were disclosed during the audit of the financial statements.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:
 - 84.010-Title I Grants to Local Educational Agencies
 - 84.186-Safe and Drug-Free Schools and Communities-State Grants
8. Threshold for distinguishing between Type A and B programs was \$300,000.
9. Thomas A. Edison Charter School did not qualify as a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF EDUCATION

04-02 Title I-Grants to Local Educational Agencies-CFDA No. 84.010; Period: July 1, 2003 to June 30, 2004.

Condition: Certain employee semiannual certifications or time and effort distribution records were not maintained. Charges to the grant award do not agree with the time and effort reports prepared by the staff.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 11.h.3:

1. Employees whose compensation is solely from a Single Cost Objective must complete semiannual certifications that they have been engaged solely in activities supported by the applicable source.

2. Employees paid and/or paid in part from a Single Cost Objective and in part with funds from other revenue sources must maintain time and effort distribution records.

Effect: \$155,928 of payroll expenditures and \$61,013 of related employment costs are considered as questioned costs because certain semiannual certifications and/or time and effort distribution records were not maintained. Also, payroll expenditures were not allocated based on the time and effort reports that were prepared. \$ 216,491

Cause: The lack of written policies or procedures. The School failed to maintain appropriate documentation to support charges to the grant award.

Recommendation: Policies and procedures should be written to provide guidance to employees administering grant activity so they are aware of the reporting requirements.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

04-03 Improving Teacher Quality-State Grants-CFDA No. 84.367;
Period: July 1, 2003 to June 30, 2004.

Condition: Certain employee semiannual certifications or time and effort distribution records were not maintained. Charges to the grant award do not agree with the time and effort reports prepared by the staff.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 11.h.3:

1. Employees whose compensation is solely from a Single Cost Objective must complete semiannual certifications that they have been engaged solely in activities supported by the applicable source.

2. Employees paid and/or paid in part from a Single Cost Objective and in part with funds from other revenue sources must maintain time and effort distribution records.

Effect: \$43,924 of payroll expenditures and \$13,842 of related employment costs are considered as questioned costs because certain semiannual certifications and/or time and effort distribution records were not maintained. Also, payroll expenditures were not allocated based on the time and effort reports that were prepared. \$ 57,766

Cause: The lack of written policies or procedures. The School failed to maintain appropriate documentation to support charges to the grant award.

Recommendation: Policies and procedures should be written to provide guidance to employees administering grant activity so they are aware of the reporting requirements.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

03-02 Title I-Grants to Local Educational Agencies-**CFDA No. 84.010**; Period: July 1, 2002 to June 30, 2003.

Condition: No employee semiannual certifications or time and effort distribution records were maintained.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 11.h.3:

1. Employees whose compensation is solely from a Single Cost Objective must complete semiannual certifications that they have been engaged solely in activities supported by the applicable source.

2. Employees paid and/or paid in part from a Single Cost Objective and in part with funds from other revenue sources must maintain time and effort distribution records.

Effect: \$323,465 of payroll expenditures and \$96,095 of related employment costs are considered as questioned costs because no semiannual certifications and/or time and effort distribution records were maintained. \$ 419,560

Cause: The lack of written policies or procedures. The School failed to maintain appropriate documentation to support charges to the grant award.

Recommendation: Policies and procedures should be written to provide guidance to employees administering grant activity so they are aware of the reporting requirements.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

03-03 Title I-Grants to Local Educational Agencies-CFDA No. 84.010; Period: July 1, 2002 to June 30, 2003.

Condition: The School was unable to locate expenditure correction forms used to allocate expenditures to the grant nor was any supporting documentation available.

Criteria: Federal administrative requirements call for the preparation of reports and the tracing of funds to a level of expenditures adequate to establish that the funds have not been used in violation of laws and regulations. In addition, these records must be retained for a period of no less than three years.

Effect: \$12,527 are considered as questioned costs since no documentation was available for our examination. \$ 12,527

Cause: School employees were not familiar with federal regulations requiring that records be retained and for a period of no less than three years.

Recommendation: We recommended that the School revisit its policies & procedures regarding expenditure documentation.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

03-04 Title V-Innovative Education Program Strategies-**CFDA No. 84.298**; Period: July 1, 2002 to June 30, 2003.

Condition: The School was unable to locate expenditure correction forms used to allocate expenditures to the grant nor was any supporting documentation available.

Criteria: Federal administrative requirements call for the preparation of reports and the tracing of funds to a level of expenditures adequate to establish that funds have not been used in violation of laws and regulations. In addition, these records must be retained for a period of no less than three years.

Effect: \$12,622 are considered as questioned costs since no documentation was available for our examination. \$ 12,622

Cause: School employees were not familiar with federal regulations requiring that records be retained and for a period of no less than three years.

Recommendation: We recommended that the School revisit its policies & procedures regarding expenditure documentation.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.